

University of Ruhuna - 2023.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Ruhuna for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also;

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and whenever necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of

information to enable a continuous evaluation of the activities of the University, and whether such systems, procedures, books, records and other documents are in effective operation ;

- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University ;
- Whether the University has performed according to its powers, functions and duties ; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Comment of the Management	Recommendation
Due to the failure to account for Rs. 56,952,897 spent in recent years for the development of internal roads in the Wellamadama premises and the Faculty of Agriculture under property, plant, and equipment as per paragraph 19 of the Sri Lanka Public Sector Accounting Standard 07, the Property, Plant, and Equipment Account and the Accumulated Fund (capital) had been understated by that amount in the financial statements.	Despite the requests made by the university several times in 2022 from the Road Development Authority, they have not provided the relevant expenditure and details. Requests have been made to carpet other roads of the university under the relevant project, and accounting will be carried out in the coming year once all the work is completed.	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) When calculating the outstanding balance payable to contractors, the amount of Rs. 145,176,156, which should be paid as VAT, had not been included, and it resulted in the understatement of the contractor creditors balance and non-current assets by that amount.	The relevant TEC approval regarding price variations had not been received even by 31.12.2023 , and since fair values must be presented in the financial statements, it has been presented under Note 15 in the financial statements based on the estimated gross amount related to price variation.	The outstanding balance payable to contractors should be correctly identified and accounted for.

- (b) An excess payment of Rs. 2,726,945 made in the year 2020 in staff salaries should have been credited and debited, respectively, to the Receivable Salary Account and the Accumulated Fund Account. However, during the year under review, this amount had been incorrectly debited to the Bond Violation Account and credited to the Bond Violation Receivable Account.
- Due to the lack of clarity that arises from presenting the receivable amounts for bond violations and other dues under the same account, a separate account for other dues will be maintained in the ensuing year.
- The relevant accounts should be correctly identified and accounted for.
- (c) Since Rs. 77,486,000 in student bursaries received under the University Grants Commission grants for the relevant year had been understated in the accounts, the income and expenditure in the financial performance statement for the year under review had been understated by that amount.
- The audit observation is agreed upon.
- Government grants and their expenses must be accurately represented in the accounts.
- (d) Due to the understatement of Rs. 2,573,585 related to the gratuity for the academic staff for the year under review, the gratuity expenses for the year and the balance in the Provision for Gratuity Account had been understated by that amount in the financial statements.
- As the total balance of Rs. 2,573,585 has been understated in the calculation of provisions for 2023, arrangements have been made to correct this in 2024.
- Provisions for gratuity should be accurately calculated and accounted for.

1.6 Non-compliance with laws, rules, regulations, and management decisions, etc.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) The Financial Regulations Compilation of the Democratic Socialist Republic of Sri Lanka.F. R. 571	The sum of Rs. 36,044,249, comprising 34 deposit balances continued to exist from 2014 to 2021, had not been either settled or credit to the revenue.	These funds have been withheld due to ongoing contracts and deficiencies that have yet been resolved and submitted to the university.	Actions should be taken in accordance with Financial Regulations.
(b)	An updated fixed asset register	The University of Ruhuna	Schedules,

Sections 8.1 and 8.2 of the Guidelines No. 2021/03 dated 26 November 2021, issued by the Department of State Accounts, had not been maintained for the property, plant, and equipment valued at Rs. 4,611,856,429 and intangible assets valued at Rs. 27,070,448, specified in the financial statement as at 31 December 2023. maintains a management including all values, should be submitted for each department, and reports related to assets in each audit. departments can be downloaded through this system.

2. Financial Review

2.1 Financial Results

The operating result for the review year showed a surplus of Rs. 1,005,010,989, as compared with the corresponding surplus of Rs. 888,979,918 in the preceding year. Accordingly, a growth of Rs. 116,031,071 was observed in the financial results. This growth was mainly driven by an increase in income.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The agreement for the construction of a 12-story building at the Faculty of Medicine, University of Ruhuna, with a contracting company, had been terminated on 03 January 2020, due to the company's poor performance. However, the performance bond valued at Rs. 42,544,131, received from the Bank of Ceylon on 30 November 2022 for this purpose, had been held in the Supply and Bond Breach Account, without being utilized for the intended purpose.	The initial contractor for the 12-story building project has filed an arbitrary lawsuit against the university concerning the construction. The Attorney General's Department has been consulted for advice, and actions will be taken forthwith based on the received instructions, either to account for the funds or to retain them further.	The funds related to the project should be utilized for the intended project.
(b)	An amount of Rs. 5,387,070, which was due from external parties for telephone towers installed on university premises as at 31 December of the year under review, had not been recovered. This balance includes Rs. 1,763,613 for the years 2014-2021, Rs. 1,172,651 for 2022, and Rs. 2,450,806 for 2023.	Not replied.	Steps should be taken to recover the outstanding funds.
(c)	An amount of Rs. 1,255,525, which was paid as salary and allowances to a professor from the University of Ruhuna who served as a Commissioner at the	The Authority has been informed about the recovery of remaining balance.	Steps should be taken to recover the outstanding amount

Marine Environment Protection Authority from 2014 to 2021, was still due to be recovered from that Authority as of December 31 of the year under review.

3.2 Identified Losses

Audit Observation	Comment of the Management	Recommendation
Due to the decision made by the Procurement Committee to refund the delay charges recovered from suppliers for failing to deliver goods and services to the university within the contracted timeframe, the university fund lost Rs. 2,127,306 in 2022 and Rs. 413,454 in 2023.	The delay charges recovered due to breach of contract were refunded to the suppliers based on the recommendation of the Technical Evaluation Committee and the approval of the Procurement Committee.	Actions should be taken in accordance with the contracted conditions.

3.3 Idle or Underutilized Assets

Audit Observation	Comment of the Management	Recommendation
(a) A 3-acre plot of land acquired by the Faculty of Medicine of the University in 2019 for Rs. 9,524,500 to construct a playground remained idle without not being utilized for its intended purpose.	Due to the COVID-19 pandemic, it was not possible to develop the land to the anticipated level. However, the proposed layout for the playground was submitted and approved at the meeting of the University Land and Buildings Committee held on 05.10.2023.	The purchased property should be utilized for the intended purpose.
(b) An amount of Rs. 1,408,463 received by the Faculty of Medicine for research and projects has not been utilized for over four years.	Not Replied.	The received funds should be used for the intended purpose.